United States Department of Agriculture
Farmers Home Administration
Washington D.C. 20250

FmHA AN No. 2794 (1951)

May 13, 1993

SUBJECT: Program Management and Servicing Goals
July 1, 1992 through June 30, 1993
Revisions to Attachment A and
Attachment B - Farmer Programs

TO: All State Directors

PURPOSE/INTENDED OUTCOME:

This AN sets forth adjustments to the management and servicing goals for the rating period of July 1, 1992, through June 30, 1993, for the Farmers Home Administration. The adjustments are being made to further enable FmHA to meet the credit needs of rural America.

COMPARISON WITH PREVIOUS AN:

This AN modifies FmHA AN No. 2566, dated June 22, 1992 and FmHA AN 2714, dated December 16, 1992.

IMPLEMENTATION RESPONSIBILITIES:

The revised Attachment A is to be substituted for the Farmer Programs goals in Attachment A and the revised Attachment B is to be substituted for Attachment B in the original package. Appropriate changes should be made to the goals assigned to District and County Offices by the State Office.

A review of each State's goals has been made. Some Farmer Programs goals have been adjusted to meet the credit needs of our applicants. Others are being made because of the moratorium on foreclosures. Please refer to Attachment A for explanations and comments concerning the goals adjustments.

To meet the adjusted goals for the 1992-1993 Rating Year, each manager will need to make optimum use of managerial skills in utilizing human resources, information, and program authorities to meet the goals and provide full service to our customers.

EXPIRATION DATE: June 30, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-A

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If you have any questions concerning the changes, you should immediately contact the office of the Acting Assistant Administrator for Farmer Programs.

Sharron S. Longino

SHARRON S. LONGINO
Acting Administrator

Attachments

Sent by Electronic Mail on 5/14/93 at 2:45pm by GSS.

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1992-1993 MANAGEMENT
AND SERVICING GOALS

ATTACHMENT A
GENERAL COMMENTS
AND EXPLANATIONS

Several goals have been adjusted to remove obstacles and emphasize the Agency's desire to insure that each applicant/borrower receives all available assistance either by direct loan or guarantee. County Supervisors must investigate different approaches and strategies for developing a feasible plan or otherwise assist borrowers in working through problems. The applicant/borrower/customer full service approach is a crucial part of every goal.

The adjustments to the Farmer Programs goals are as follows:

1. FP Goal 1A - First Year Delinquency:

Loans that were restructured to remove a delinquency will no longer be counted against meeting this goal. This goal was originally set up to encourage County Supervisors to restructure problem loans before they went delinquent. However, in order to provide our borrowers every opportunity to make affordable payments we may have to restructure delinquent loans. The goal change is intended to allow County Supervisors more discretion to release proceeds for essential expenses and permit the restructuring of delinquent loans without goal accomplishments being adversely affected.

Additionally, each State's first year delinquency rate will be raised 5 percent from its original first year delinquency rate. We are raising the rate due to adverse weather conditions, which could not have been foreseen at the time of loan approval.

2. FP Goals 1B and 3B - Application Processing Time:

The timely processing of applications is essential to meeting the needs of our applicants/borrowers. However, we do not want to discourage thoroughly working through a complicated or problem application. We are allowing an additional 5 percent leeway in these goals to permit the County Supervisor time to negotiate with other creditors to produce a feasible plan for our applicants who need this help.

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3. FP Goal 2A - Reduce Delinquent Dollars:

This goal has been affected by the foreclosure suspension. The suspension removed any forced collection efforts to reduce delinquencies. Therefore, we are reducing Goal 2Ai from 90 percent to 15 percent for the reduction in the overall amount of delinquent dollars (P&I) in nonflagged accounts. 1951-S and Collection-Only accounts are included in this portion of the goal.

4. FP Goal 3A - Guaranteed Loan Obligations As Percent of Total Obligations

No direct loans obligated after 4/30/93 will be included when calculating this goal accomplishment. This goal is being adjusted to remove any disincentive to make direct loans, so that all applicants be given full consideration for assistance, whether through the direct or guarantee programs.

The need for this goal change is further evidenced by the current demand for direct credit. There are currently 6,460 applications on hand for direct loans and 2,377 for guarantees.

ALL OTHER GOALS WILL REMAIN THE SAME.

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1992-1993 MANAGEMENT AND SERVICING GOALS

ATTACHMENT B
FARMER PROGRAMS

Goals are an important tool in accomplishing program objectives in the framework of providing financial assistance to rural America. Goals should always be viewed in the context of FmHA's mission. Farmer Programs Management and Servicing goals are focused on the following goals and objectives:

1. Credit Quality/Loan Making
2. Portfolio Management
3. Guaranteed Loans

CREDIT QUALITY AND/OR LOAN MAKING

GOAL 1A. REDUCE NUMBER OF ALL DIRECT LOANS BECOMING DELINQUENT THE FIRST YEAR AFTER BEING MADE OR RESTRUCTURED BETWEEN 1/1/92 AND 12/31/92

WEIGHT: 20 percent

NATIONAL AGENCY OBJECTIVE: 18 percent

MEASUREMENT: FOCUS Run on PLAS and R540 Database (same as Rating Year 1991-1992)

<u>Please see Attachment A, General Comments and Explanations, Item 1, for explanation of adjustments made to this goal.</u>

Achievement of this goal depends primarily on the decisions of credit managers and their ability to work with applicants to produce a feasible plan. If the delinquency rate is higher than the goal, it should be due to unusual disasters or similar problems beyond the control of credit officials. These uncontrollable factors will be evaluated throughout the year and goals will be adjusted accordingly.

The first year delinquency percentage will be determined as described below. Delinquency is defined as being more than 30 days past due on a scheduled loan payment.

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1. Determine the number of loans made and/or restructured between January 1, 1992, and December 31, 1992.

2. Determine the number of these loans which are delinquent as of June 30, 1993.

3. The number of loans in number 2, divided by the total number of loans made or restructured during the period, equals the first year delinquency rate. EXAMPLE:

No. of loans made or restructured between 1/1/92 and 12/31/92:	1,000
No. of the above loans delinquent on 6/30/93:	100

Goal Level: 100 divided by 1,000 = 10% first year delinquency rate.

Any percentages will be rounded up or down to the nearest whole number.

GOAL 1B. IMPROVE TIMELINESS OF PROCESSING COMPLETED DIRECT LOAN APPLICATIONS

WEIGHT: 10 percent

NATIONAL AGENCY OBJECTIVE: Loan Approval Will be 60 days or less from Receipt of a Completed Application.

For the definition of a completed application, refer to FmHA Instruction 1910-A, Section 1910.4 (b). A completed application consists of both the applicant's and FmHA's responsibilities.

MEASUREMENT: Application Tracking System (ATS) of the Management Records System (MRS) as of 1/1/93. States can monitor the goal accomplishments on the Executive Information System (EIS).

Please see Attachment A, General Comments and Explanation, Item 2, for explanation on adjustments made to this goal.

States which have no more than 10 percent of completed application approved or rejected beyond the 60-day requirement will be considered as having met this goal. Time during appeals will not be included in the calculations.

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GOAL 1C: PROVIDE MAXIMUM OPPORTUNITY TO SOCIALLY DISADVANTAGED GROUPS TO BECOME SUCCESSFUL FARMERS

WEIGHT: 5 percent

NATIONAL AGENCY OBJECTIVE: Obligate 100% of SDA Targeted Direct FO Funds

Section 617 of the 1987 Agricultural Credit Act and Section 2501 (f) fo the 1990 Food, Agriculture, Conservation and Trade Act direct the Secretary of Agriculture to ensure that members of socially disadvantaged (SDA) groups have an opportunity to own and operate farms/ranches and to participate in agricultural programs.

The goal for 1992-1993 is to obligate 100 percent of the targeted SDA insured (direct) FO loan funds for all States, except Alaska. Alaska is exempted due to very limited farming in the area served. State offices which do not have enough funds to make more than on SDA direct FO loan will meet their goal if they make at least one SDA direct FO loan in FY 1993 even though they do not obligate 100 percent of their allocation.

MEASUREMENT: Report Code 205-C.

GOAL 1C HAS NOT BEEN ADJUSTED.

PORTFOLIO MANAGEMENT

GOAL 2A. REDUCE FARMER PROGRAMS DELINQUENT DOLLARS

TOTAL WEIGHT: 15 percent

NATIONAL OBJECTIVE: Reduce the Overall Amount of Delinquent Dollars (P&I) in nonflagged accounts by 15% by June 30, 1993. Reduce delinquent dollars (P&I) in flagged accounts by 15 percent by June 30, 1993.

i. Weight: 10%. Reduce the Amount of 7/1/92 Delinquent Dollars (P&I) in Nonflagged Accounts. <u>1951-S and Collection-Only accounts are the only "flagged" accounts included in this portion of the goal</u>. Any increase in dollars during the goal year must also be resolved to show a total net decrease in the delinquency by 15 percent.

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Example: $850,000 delinquent P&I as of July 1, 1992, less 15 percent equals a balance outstanding of $722,500 as of June 30, 1993. Any increase in the $850,000 must also be resolved to meet the goal of $722,500.

ii. Weight: 5%. Reduce the Amount of 7/1/92 Delinquent Dollars (P&I) in Flagged Accounts (i.e., those flagged BAP, CAP, or FAP) by 15 percent by 6/30/93. Full credit for resolution of the delinquency will given for all "Subject to Agreed Adjustments" (SAA) approved during the goal year. Any increases in the delinquent dollars during the goal year will not be considered in goal measurement.

Example: $700,000 delinquent P&I as of July 1, 1992, less 15 percent equals a balance outstanding of $595,000 as of June 30, 1993. (Increases in delinquent dollars are not to be considered in goal measurement).

MEASUREMENT: Each State's goal will be measured by reducing delinquent principal and interest as of July 1, 1992, by 15 percent (a moving target) for nonflagged accounts and 15 percent (not a moving target) for flagged accounts by June 30, 1993.

Report Code 540 and FOCUS will be used to measure this goal.

Please refer to Attachment A, Item 3, for explanation of the adjustment in the percentage in Goal 2A ii.

GOAL 2B. TRACK LOAN SERVICING OF DELINQUENT BORROWERS USING AGCREDIT.

WEIGHT: 5 percent

NATIONAL AGENCY OBJECTIVE: Enter 100% of all delinquent borrowers, including those flagged BAP, CAP, FAP, and CO into AGCREDIT and track them in that system.

MEASUREMENT: Case numbers of delinquent, BAP, CAP, FAP, and CO borrowers listed on the June 30, 1992, Report Code 540 will be compared with borrower case numbers in AGCREDIT. State Offices are responsible to ensure that 100% of the delinquent borrowers identified on the RC 540 are entered into AGCREDIT. States will be considered to have met the goal when all delinquent borrowers' names and case numbers are matched from all data sources. This match will not encompass matching a borrower's specific servicing status from the 2 sources. Goal achievement will be reported using percentages.

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No current status is shown on goal worksheets since the number of borrowers that each State must enter to achieve the goal cannot be determined until the June 30, 1992, RC 540 is prepared.

GOAL 2B HAS NOT BEEN ADJUSTED.

GOAL 2C. MOVE DIRECT FARMER PROGRAM BORROWERS TO OTHER SOURCES OF CREDIT EITHER WITH OR WITHOUT A GUARANTEE (SUBORDINATIONS ARE NOT INCLUDED)

WEIGHT: 10 percent

NATIONAL OBJECTIVE: Move 4.2 percent of total existing direct borrower caseload as of June 30, 1992, to other credit by June 30, 1993. Youth loans are not counted in this goal.

MEASUREMENT: The COORS report will be used to measure borrowers moved to other credit with or without a guarantee. Partial "graduations" will be counted as one-half of a full graduation when all of either the real estate or operating credit is moved to other credit with or without a guarantee. For example, if a borrower has two OL loans and one FO loan, one-half credit will be given towards goal accomplishment if both OLs were refinanced with or without a guarantee and reported on COORS.

EXAMPLE: 5,000 (active borrowers) plus 2,000 (other borrowers) equals 7,000 total direct borrower caseload. 5 percent of 7,000 equals 350 borrowers to move to other credit by June 30, 1993.

GOAL 2C HAS NOT BEEN ADJUSTED.

GOAL 2D. SALE/TRANSFER OF FARMER PROGRAM INVENTORY PROPERTIES

WEIGHT: 10 percent

NATIONAL OBJECTIVE: Dispose of 80 percent of inventory farms by June 30, 1993, and maintain that rate of disposal annually thereafter. The 80 percent rate allows for a 20 percent margin for properties which are impossible to sell due to environmental, appeals, litigation, or wetland actions.

MEASUREMENT: Each State is to reduce by June 30, 1993, 80 percent of the number of farm inventory properties that are in inventory on June 30, 1992, as identified on a list to be provided to each State Office.

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Example: 200 (total inventory farms) less 50 (leaseback/buyback and dwelling retention) less 30 (in inventory less than 12 months) equals 120 multiplied by 80 percent equals 96 farms to sell/transfer by June 30, 1993.

The National Office will use Report Code 593 and FOCUS to measure this goal. Each State should refer to Report Code 597 and FOCUS for goal updates.

GOAL 2D HAS NOT BEEN ADJUSTED.

GUARANTEED LOANS

GOAL 3A. INCREASE GUARANTEED LOAN OBLIGATIONS AS A PERCENT OF TOTAL OBLIGATIONS

WEIGHT: 15 percent

NATIONAL AGENCY OBJECTIVE: 80 Percent of Total Loan Obligations Made Between 7/1/92 and 6/30/93 Will Be Guaranteed. Direct Loan Obligations from 5/1/93 to 6/30/93 will not be counted toward meeting the goal.

MEASUREMENT: RC 205 and FOCUS run for lines of credit

The total of (1) insured loan obligations (excluding EM and youth loans) from 7/1/92 to 4/30/93, (2) guaranteed loan obligations from 7/1/92 to 6/30/93, and (3) LOCs which could be advanced for the 2nd or 3rd year, will be divided by the sum of (2) and (3) as of the end of the rating period on June 30, 1993.

Please refer to Attachment A, General Comments and Explanations, Item 4, for explanation for adjustment made to this goal.

Any percentages will be rounded up or down to the nearest whole number.

GOAL 3B. IMPROVE TIMELINESS OF PROCESSING ALP GUARANTEED LOAN APPLICATIONS

WEIGHT: 10 percent

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NATIONAL OBJECTIVE: Approve a guarantee (i.e., Form FmHA 1940-3 signed) in 14 calendar days or less from the receipt of a complete application.

For the definition of a complete application, refer to FmHA Instruction 1980-B, Section 1980.113 (d).

MEASUREMENT: The Application Tracking System (ATS) of the Management Records System (MRS) as of 1/1/93. States can monitor their goal accomplishments on the Executive Information System (EIS).

Please refer to Attachment A, General Comments and Explanation, Item 2, for explanation of adjustments made to this goal.

Excessive processing time for guarantee requests is a major source of complaints from lenders. Timely processing will encourage lender participation and provide guaranteed borrowers funds on a more timely basis.

Achievement of this goal will require timely action by County Office Staff, County Committees, and Loan Review/Underwriting Officials on complete applications.

States which have no more than 15 percent of complete applications approved or rejected beyond the 14-day requirement will receive full credit for this goal. Time spent in the appeals process will not be included in the calculations for this goal.